



## **FEDERAL RESERVE SYSTEM**

### **Proposed Agency Information Collection Activities; Comment Request**

**AGENCY:** Board of Governors of the Federal Reserve System

#### **SUMMARY:**

On June 15, 1984, the Office of Management and Budget (OMB) delegated to the Board of Governors of the Federal Reserve System (Board) its approval authority under the Paperwork Reduction Act (PRA), pursuant to 5 C.F.R. § 1320.16, to approve of and assign OMB control numbers to collection of information requests and requirements conducted or sponsored by the Board under conditions set forth in 5 C.F.R. § 1320 Appendix A.1. Board-approved collections of information are incorporated into the official OMB inventory of currently approved collections of information. Copies of the Paperwork Reduction Act Submission, supporting statements, and approved collection of information instruments are placed into OMB's public docket files. The Federal Reserve may not conduct or sponsor, and the respondent is not required to respond to, an information collection that has been extended, revised, or implemented on or after October 1, 1995, unless it displays a currently valid OMB control number.

**DATES:** Comments must be submitted on or before [insert date 60 days after publication in the Federal Register].

**ADDRESSES:** You may submit comments, identified by FR Y-16, by any of the following methods:

- Agency Website: [www.federalreserve.gov](http://www.federalreserve.gov). Follow the instructions for submitting comments at [www.federalreserve.gov/apps/foia/proposedregs.aspx](http://www.federalreserve.gov/apps/foia/proposedregs.aspx).
- Federal eRulemaking Portal: [www.regulations.gov](http://www.regulations.gov). Follow the instructions for submitting comments.
- E-mail: [regs.comments@federalreserve.gov](mailto:regs.comments@federalreserve.gov). Include the OMB control number in the subject line of the message.
- FAX: 202-452-3819 or 202-452-3102.
- Mail: Robert deV. Frierson, Secretary, Board of Governors of the Federal Reserve System, 20<sup>th</sup> Street and Constitution Avenue, NW, Washington, DC 20551.

All public comments are available from the Board's website at [www.federalreserve.gov/apps/foia/proposedregs.aspx](http://www.federalreserve.gov/apps/foia/proposedregs.aspx) as submitted, unless modified for technical reasons. Accordingly, your comments will not be edited to remove any identifying or contact information. Public comments may also be viewed electronically or in paper form in Room MP-500 of the Board's Martin Building (20<sup>th</sup> and C Streets, NW) between 9:00 a.m. and 5:00 p.m. on weekdays.

Additionally, commenters may send a copy of their comments to the OMB Desk Officer, Shagufta Ahmed, Office of Information and Regulatory Affairs, Office of Management and Budget, New Executive Office Building, Room 10235, 725 17<sup>th</sup> Street, NW, Washington, DC 20503 or by fax to 202-395-6974.

**FOR FURTHER INFORMATION CONTACT:** A copy of the PRA OMB

submission, including the proposed reporting form and instructions, supporting statement, and other documentation will be placed into OMB's public docket files, once approved.

These documents will also be made available on the Federal Reserve Board's public website at: [www.federalreserve.gov/apps/reportforms/review.aspx](http://www.federalreserve.gov/apps/reportforms/review.aspx) or may be requested from the agency clearance officer, whose name appears below.

Federal Reserve Board Clearance Officer, Cynthia Ayouch, Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, DC 20551 (202) 452-3829. Telecommunications Device for the Deaf (TDD) users may contact (202) 263-4869, Board of Governors of the Federal Reserve System, Washington, DC 20551.

**SUPPLEMENTARY INFORMATION:**

***Request for comment on information collection proposals***

The following information collection, which is being handled under this delegated authority, has received initial Board approval and is hereby published for comment. At the end of the comment period, the proposed information collections, along with an analysis of comments and recommendations received, will be submitted to the Board for final approval under OMB delegated authority. Comments are invited on the following:

- a. Whether the proposed collection of information is necessary for the proper performance of the Federal Reserve's functions; including whether the information has practical utility;
- b. The accuracy of the Federal Reserve's estimate of the burden of the proposed information collection, including the validity of the methodology and assumptions used;
- c. Ways to enhance the quality, utility, and clarity of the information to be collected;
- d. Ways to minimize the burden of information collection on respondents, including through the use of automated collection techniques or other forms of information technology; and
- e. Estimates of capital or start-up costs and costs of operation, maintenance, and purchase of services to provide information.

***Proposal to approve under OMB delegated authority the implementation of the following information collection:***

*Report title:* Annual Company-Run Stress Test Projections.

*Agency form number:* FR Y-16.

*OMB control number:* 7100-to be assigned

*Frequency:* Annual.

*Reporters:* Bank holding companies (BHCs), savings and loan holding companies (SLHCs)<sup>1</sup> with average total consolidated assets of greater than \$10 billion but less than \$50 billion, and any affiliated or unaffiliated state member bank (SMB) with average total consolidated assets of more than \$10 billion but less than \$50 billion excluding SMB subsidiaries of covered companies.<sup>2</sup>

*Estimated annual reporting hours:* 223,200 hours, one-time implementation; 28,768 hours, ongoing.

*Estimated average hours per response:* 3,600 hours, one-time implementation; 464 hours, ongoing.

*Number of respondents:* BHCs, 44; SLHCs, 8; and SMBs, 10.

*General description of report:* This information collection is authorized pursuant Section 165(i)(2) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) that specifically authorizes the Board to issue regulations implementing the annual stress testing requirements for its supervised institutions. 12 U.S.C. § 5365(i)(2)(C). More generally, with respect to BHCs, Section 5(c) of the Bank Holding Company Act, 12 U.S.C. § 1844(c), authorizes the Board to require a BHC and any subsidiary “to keep the Board informed as to – (i) its financial condition, [and] systems for monitoring and controlling financial and operating risks ... .” Section 9(6) of the

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<sup>1</sup> SLHCs would not be subject to Dodd-Frank annual company-run stress testing requirements until the next calendar year after the SLHCs become subject to regulatory capital requirements.

<sup>2</sup> “Covered companies” are defined as BHCs with at least \$50 billion in total assets and nonbank systemically important financial institutions, subject to annual supervisory stress tests and semi-annual company-run stress tests; “other financial companies” are defined as BHCs with total consolidated assets over \$10 billion but less than \$50 billion, SLHCs with assets over \$10 billion, and state-member banks with assets over \$10 billion, subject to annual company-run stress tests.

Federal Reserve Act, 12 U.S.C. § 324, requires SMBs to make reports of condition to their supervising Reserve Bank in such form and containing such information as the Board may require. Finally, with respect to SLHCs, under Section 312 of the Dodd-Frank Act, 12 U.S.C. § 5412, the Board succeeded to all powers and authorities of the OTS and its Director, including the authority to require SLHCs to “file ... such reports as may be required ... in such form and for such periods as the [agency] may prescribe.” 12 U.S.C. § 1467a(b)(2).

Obligation to Respond is Mandatory: Section 165(i)(2)(A) provides that “financial companies that have total consolidated assets [meeting the asset thresholds] ... and are regulated by a primary Federal financial regulatory agency shall conduct annual stress tests.” Section 165(i)(2)(B) provides that a company required to conduct annual stress tests “shall submit a report to the Board of Governors and to its primary financial regulatory agency at such time, in such form, and containing such information as the primary financial regulatory agency shall require.” 12 U.S.C. § 5365(i)(2)(B).

Confidentiality: As noted under Section 165(i)(2)(C)(iv), companies conducting annual stress tests under these provisions are “require[d] ... to publish a summary of the results of the required stress tests.” 12 U.S.C. § 5365(i)(2)(C)(iv). Regarding the information collected by the Board, however, as such information will be collected as part of the Board’s supervisory process, it may be accorded confidential treatment under Exemption 8 of the Freedom of Information Act (FOIA), 5 U.S.C. § 552(b)(8). This information also is the type of confidential commercial and financial information that may be

withheld under Exemption 4 of FOIA, 5 U.S.C. § 552(b)(4). As *required* information, it may be withheld under Exemption 4 only if public disclosure could result in substantial competitive harm to the submitting institution, under *National Parks & Conservation Ass’n v. Morton*, 498 F.2d 765 (D.C. Cir. 1974).

*Abstract:* In October 2012, the Federal Reserve Board approved two final rules for capital stress testing requirements pursuant to the Dodd-Frank Act. The final rules implemented the Dodd-Frank Act Stress Testing (DFAST) requirements, one for “covered companies” and one for “other financial companies.” The Federal Deposit Insurance Corporation (FDIC)<sup>3</sup> and the Office of the Comptroller of the Currency (OCC)<sup>4</sup> also issued final rules for DFAST in October 2012 that are nearly identical to the requirements for “other financial companies” issued by the Federal Reserve Board.

This proposed information collection is required under Section 165(i)(2) of the Dodd-Frank Act and the Federal Reserve’s final rule on annual company-run stress tests for organizations with total consolidated assets over \$10 billion (other than covered companies), which was published in the *Federal Register* on October 12, 2012 (77 FR 62396) (12 C.F.R. Part 252, Subpart H). The annual FR Y-16 would collect quantitative projections of balance sheet, income, losses, and capital across three scenarios (baseline, adverse, and severely adverse) and qualitative information on methodologies used to develop internal projections of capital across these scenarios. Each of the banking agencies is developing very similar, if not identical, reporting templates for the institutions they supervise.

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<sup>3</sup> October 15, 2012 (77 FR 62417)

<sup>4</sup> October 9, 2012 (77FR 61238)

The proposed annual FR Y-16 reporting form would collect data through three primary schedules: (1) Results Schedule (which includes the quantitative results of the stress tests under the baseline, adverse, and severely adverse scenarios for each quarter of the planning horizon: i.e.; aggregate losses, pre-provision net revenue, provision for loan and lease losses, net income, and pro forma capital ratios (including regulatory and any other capital ratios specified by the Board)), (2) Scenario Variables Schedule, and (3) Contact Information Schedule. The supplemental report of the results of the stress test, as required under the Board's rule, would include, the following qualitative information under the baseline, adverse, and severely adverse scenarios:

- a description of the types of risks included in the stress test;
- a summary description of the methodologies used in the stress test;
- an explanation of the most significant causes for the changes in regulatory capital ratios, and
- any other information required by the Board.

It is also expected that, in order to fully evaluate the data submissions, the Federal Reserve may conduct follow up discussions with or request responses to follow up questions from respondents, as needed.



## **Results Schedule (Baseline, Adverse, and Severely Adverse Scenarios and Summary of Results)**

For each of the three scenarios (Baseline, Adverse, and Severely Adverse), data would be reported for the (1) income statement and (2) balance sheet and capital. Therefore, two sets of worksheets for each scenario (baseline, adverse, and severely adverse) would be completed and submitted, along with the submission cover sheet and a summary of results worksheet.

Income statement data would be collected on a projected quarterly basis showing both projections of revenues and losses. These data are organized in a similar (but not identical) fashion to the mandatory Consolidated Financial Statements for Bank Holding Companies (FR Y-9C; OMB No. 7100-0128) and Schedule HI - Income Statement or the Consolidated Report of Condition and Income (FFIEC 031/041; OMB No. 7100-0036), Schedule RI - Income Statement. For example, respondents would project net charge-offs by loan type (stratified into twelve specific loan types); gains and losses on securities; pre-provision net revenue; and other key components of revenue (i.e., net interest income, provision for loan and lease losses, taxes, etc.).

Balance sheet data would be collected on a quarterly basis for projections of certain assets, liabilities, and capital. For example, respondents would project loans, allowance for loan and lease losses, deposits, and unrealized gains (losses) on securities. These data

are organized in a similar (but not identical) fashion to the FR Y-9C, Schedule HC - Balance Sheet and FFIEC 031/041, Schedule RC - Balance Sheet.

Capital data would be collected on a projected quarterly basis and include components of equity and regulatory capital. Additionally, the capital data would capture projections of risk weighted assets and capital actions such as common dividends and share repurchases that affect a respondent's equity capital and projections and deductions necessary to estimate regulatory capital.

The summary of results worksheet would be comprised of 12 key data points from each scenario. Therefore, all information on the summary worksheet would be automatically populated when the scenario projections are completed.

### **Scenario Variables Schedule**

To conduct the stress tests according to the October 12, 2012 final rule, an institution would be able to choose to project additional economic and financial variables, beyond the mandatory supervisory scenarios provided, to estimate losses or revenues for some or all of its portfolios. In such cases, the institution would be required to complete the Scenario Variables Schedule for each scenario where the institution chooses to use additional variables.

Board of Governors of the Federal Reserve System, March 12, 2013.

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Robert deV. Frierson,

Secretary of the Board.

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